

# Cascades Inc.

Revised December 23, 1986 (IC)

CUSIP Number 146900

Stock Symbol CAS

Head Office — 404 Marie-Victorin Street, P.O. Box 30, Kingsey Falls, Quebec, J0A 1B0

Telephone — (819) 363-2245

THE COMPANY is a diversified organization operating in the paper, packaging and building material sectors, principally in Quebec, Ontario, the United States and France.

| Fiscal Year  | Total Assets | L.-Term Debt | COMPARATIVE DATA |         | Net Inc. Oper. | Earns. Per Sh. | Price Range |       |
|--------------|--------------|--------------|------------------|---------|----------------|----------------|-------------|-------|
|              |              |              | Shldrs.' Equity  | Sales   |                |                | High        | Low   |
|              |              |              | 000's            |         |                | Common         |             |       |
|              | \$           | \$           | \$               | \$      | \$             | \$             | \$          | \$    |
| 1985 .....   | 195,915      | 51,784       | 82,440           | 266,272 | 19,443         | 0.43           | 6.32        | 2.19  |
| 1984 .....   | 133,821      | 41,573       | 43,046           | 179,651 | 12,667         | 0.31           | 2.63        | 0.99  |
| 1983 .....   | 63,750       | 17,307       | 19,104           | 62,033  | 4,165          | 0.11           | †1.19       | *0.58 |
| 1982 .....   | 33,639       | 8,752        | 14,939           | 34,491  | 2,527          | 0.08           |             | ....  |
| 1981 ■ ..... | 24,405       | 7,877        | 7,857            | 29,163  | 1,699          | 0.05           |             | ....  |

■ Adjusted throughout for 2-for-1 stock splits on May 13, 1986, Sept. 16, 1985, and July 5, 1984.

■ As shown in 1982 annual report.

\* Listed Jan. 3, 1983.

| CONSOLIDATED CAPITALIZATION AS AT DECEMBER 31, 1985 |                   |            |    |
|-----------------------------------------------------|-------------------|------------|----|
|                                                     | Outstanding       |            | %  |
| Long-term debt .....                                | \$51,784,000      |            | 39 |
| Common stock .....                                  | ■ 48,200,048 shs. | 33,927,000 | 25 |
| Retained earnings .....                             |                   | 45,189,000 | 34 |
| Foreign currency trans. adj. ....                   |                   | 3,324,000  | 2  |

■ Adjusted for 2-for-1 stock split on May 13, 1986.

## SUMMARY STATEMENT

For the nine months ended Sept. 30, 1986, net income operations rose 13% to \$17,022,000, or 35 cents per share, from \$15,108,000, or 33 cents per share. Sales increased 68% to \$323,109,000 from \$191,652,000 for the corresponding year-earlier period. An extraordinary gain of \$2,607,000 which included income tax recovery increased net income for the period to \$19,629,000 or 41 cents per share. There were no such items in 1985.

For the year ended Dec. 31, 1985, net income rose 53% on a 48% increase in revenue. The company continued to grow through the acquisition of a French company in liquidation. Subsequent to year end, **Cascades Industries Inc.**, **Cascades (Port-Cartier) Inc.** Quebec, **Cascades (Avot-Vallée) S.A.** (France), and **Cascades (Blendecques) S.A.** (France) were acquired, **Cascades (Joliette) Inc.** was established, and **Lupel SNA Inc.** was purchased.

An offer to purchase **Dofor Inc.**'s 55.5% interest in **Donahue Inc.** was announced Sept. 22, 1986. The company offered \$29.87 per share, for a total consideration of \$246,000,000.

**Convertible debentures** contributed an additional \$50,000,000 to the company's capitalization. The debentures were privately placed with the Caisse de depot de placement du Quebec in June, 1986, and are convertible into common shares of the company at \$15.375 per share.

N.B. — For quick reference data, see page 2.

*The Financial Post*

**INFORMATION SERVICE**

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## QUICK REFERENCE DATA

**Major Shareholders**—In December 1986, Bernard, Laurent and Alain Lemaire held a 65% voting interest.

**Employees**—Approximately 3,200 at Dec. 31, 1986.

**Incorporation**—Quebec Letters Patent, March 26, 1964. Continued Oct. 26, 1982.

**Auditors**—Coopers & Lybrand, Montreal.

**Fiscal Year Ends**—December 31.

**Annual Report Appeared**—In March in 1986.

**Annual Meeting Date**—April 30 in 1986.

**Listed**—CAS, Montreal and Toronto Stock Exchanges.

**Shareholders**—There were 2,000 shareholders at September 30, 1986.

**Transfer Agent and Registrar**—Fiducie du Quebec, Montreal; Guaranty Trust, Toronto, Regina, Calgary and Vancouver.

## COMPANY

The company is a diversified organization operating in the paper, packaging and building material sectors. Through divisions, subsidiaries, and joint ventures, the company conducts its activities principally in the recycling and conversion of waste paper and board, and in the use of residual wood chips from sawmills to make products for industrial and commercial consumption. Its business is carried out primarily in Quebec, Ontario, the United States and France.

The company manufactures construction materials, various packaging products, in paper, board or plastic-based or in the form of polyethylene sheets used for packaging and covering of various articles.

## REVENUE

Operating revenue by industry segment for the past two years has been as follows:

|                          | 1985    |     | 1984    |     |
|--------------------------|---------|-----|---------|-----|
|                          | \$000's | %   | \$000's | %   |
| Paper .....              | 225,040 | 83  | 135,271 | 75  |
| Packaging .....          | 21,756  | 8   | 22,659  | 12  |
| Building materials ..... | 23,116  | 9   | 23,353  | 13  |
|                          | 269,912 | 100 | 181,283 | 100 |
| Less: Eliminations ..    | (3,640) |     | (1,632) |     |
|                          | 266,272 |     | 179,651 |     |

Revenue by geographic segment has been as follows:

|                       | 1985    |     | 1984    |       |
|-----------------------|---------|-----|---------|-------|
|                       | \$000's | %   | \$000's | %     |
| Canada .....          | 216,546 | 81  | 179,651 | 100   |
| United States .....   | 7,336   | 3   | .....   | ..... |
| France .....          | 43,440  | 16  | .....   | ..... |
|                       | 267,322 | 100 | 179,651 | 100   |
| Less: Eliminations .. | (1,050) |     | .....   |       |
|                       | 266,272 |     | 179,651 |       |

## EARNINGS

Operating income (before interest expense, income taxes, minority interest, interest and other income) by industry segment for the past two years has been as follows:

|                       | 1985    |     | 1984    |     |
|-----------------------|---------|-----|---------|-----|
|                       | \$000's | %   | \$000's | %   |
| Paper .....           | 25,743  | 84  | 17,783  | 76  |
| Packaging .....       | 2,079   | 7   | 1,965   | 9   |
| Building materials .. | 2,694   | 9   | 3,546   | 15  |
|                       | 30,516  | 100 | 23,294  | 100 |

Operating income by geographic segment in the past two years has been as follows:

|                     | 1985    |       | 1984    |       |
|---------------------|---------|-------|---------|-------|
|                     | \$000's | %     | \$000's | %     |
| Canada .....        | 21,904  | 72    | 21,268  | 100   |
| United States ..... | 15      | ..... | .....   | ..... |
| France .....        | 8,597   | 28    | .....   | ..... |
|                     | 30,516  | 100   | 21,268  | 100   |

## OPERATIONS

Company operations are organized through divisions, subsidiaries and joint ventures into the following business segments:

**Paper Sector**—Major operations of the company are through its paper division which produces linerboard, corrugated paper, molded pulp, kraft paper, folding boxboard, and bleached kraft paper. The principal raw material used partially or entirely in the production of a large number of the products is made up of a variety of waste paper and board. Chemicals are added to these waste materials in order to obtain the absorbency and stiffness required for the different end products. Over 60% of the raw materials are supplied by the company's recycling division which collects waste paper and board from federal government offices and grocers and retailers in Quebec. Secondary sources are financial institutions, printers and business offices. The balance of the waste material is purchased from Ontario, the Maritimes and the U.S. in the open market.

The company operates in the paper sector through Cascades (Port Cartier), Cascades (East Angus) Inc., Cascades (Jonquière) Inc., Désencrage Cascades Inc., Récupération Cascades Inc., Les Industries Cascades Ltée. (a joint venture), Cascades P.S.H. Inc. (a joint venture), and Papier Cascades (Cabano) Inc. in Canada, and Cascades Industries, Inc. in the United States. In Europe, operations are carried out through Cascades Blendecques S.A. and Cascades Avot-Val-lée, both in France. (See subsidiaries on page 3).

**Packaging Sector**—The packaging division produces cardboard boxes for the furniture, garment and food industries. These boxes are manufactured from sheets of corrugated medium supplied by various manufacturers and moulded according to customer requirements. Also produced are styrofoam and moulded pulp egg containers and styrofoam trays and containers for the packaging of meats, vegetables, and fruits, and paper bags.

Polyethylene sheets are manufactured from polyethylene granules for use in the protective packaging of products susceptible to breakage or damage during shipping, and as a cushioning material during the manufacture of various products, such as household appliances, circuits, electronic components and furniture.

Plastic coin wrappers are also manufactured. The coin wrappers are marketed under the trade name **Plastichange** for use in banking.

The company operates in the packaging sector through Les Emballages Cascades Inc., Plastiques Cascades Inc., Cascades Sentinel Inc. (formerly called Indusfoam Canada Inc.), and Plastichange International Inc. in Canada, and Cascades La Rochette S.A. in France. (See subsidiaries on page 3).

**Building Material Sector**—The building material division produces insulated wood panels including roof-board and backerboard; construction paper including roofing paper and insulating paper; roofing felt and linoleum backing.

The insulated wood panels are manufactured from wood shavings and chips and from waste paper and may later be impregnated, coated or laminated.

Construction paper products are made from a mixture of asbestos and glass fibers and other fibrous materials, kraft papers, board, sawdust, newsprint, and chemicals.

The company operates in the building material sector through Les Matériaux Cascades Inc., Cascades Lupel Inc. and Papier Kingsey Falls Inc. (See subsidiaries on page 3).



## CAPITAL EXPENDITURES

Net additions to fixed assets in recent years have been as follows:

|      |             |      |              |
|------|-------------|------|--------------|
| 1981 | \$3,197,000 | 1984 | \$30,302,000 |
| 1982 | 4,259,000   | 1985 | 32,869,000   |
| 1983 | 11,768,000  |      |              |

■ From 1982 annual report.

Capital outlays by operations in the past 2 fiscal years has been as follows:

|                    | 1985    | 1984   |
|--------------------|---------|--------|
|                    | \$000's | \$     |
| Paper              | 27,962  | 25,535 |
| Packaging          | 3,782   | 2,988  |
| Building materials | 1,828   | 2,766  |
|                    | 33,572  | 31,289 |

■ As shown in 1985 annual report.

## HISTORY

The company was incorporated under the name of **Papiers Cascades Inc.**—Cascades Paper Inc. under the laws of Quebec by Letters Patented dated Mar. 26, 1964. The company was continued on Oct. 26, 1982 and its name was changed to **Cascades Inc.**

On Jan. 1, 1982, the company acquired for cash consideration of \$39,899 all of the issued and outstanding shares of **Récupération Cascades Inc.**, a related company involved in the recovery of waste paper and cardboard.

On Oct. 27, 1982, the company acquired 75% of the issued and outstanding shares of **Les Innovations Réal Lemaire Inc.**, a manufacturer of plastic coin containers, for cash consideration of \$200,000.

On Nov. 3, 1982, the company acquired **Air Cascades Inc.**, a helicopter transportation company, by subscribing to 100 common shares and to 199,900 preferred shares for cash consideration of \$200,000.

Also during 1982, the company sold its investment in **Papier Cascades (Cabano) Inc.** to **Les Projets Cascades Inc.** to **Les Projets Cascades Inc.**, a related company for \$1,010,350 in preferred convertible shares. The preferred shares were convertible after June 2, 1986 into common shares of **Les Projets Cascades Inc.** During 1982, the company increased its interest in **Les Emballages Cascades Inc.** to 75% from 60%.

In December, 1982, the first public offering of the company's common shares was made.

In early 1983, the company acquired an industrial building in **Drummondville, Que.** for the manufacture of paper and plastic products. On Sept. 1, 1983, the company acquired a kraft paper and boxboard plant in **East Angus, Que.** from **Domtar Inc.**

On Jan. 4, 1984, the company acquired the remaining 50% interest in **Papier Kinsey Falls Inc.**, that it did not own, from **Manville Corp.** In March 1984, the company acquired a board mill previously owned by the **Price Company Ltd.**, in **Jonquière, Que.**

On June 29, 1984, the company acquired the remaining 50% interest in **Indusfoam Canada Inc.** On Aug. 3, 1984, the company acquired a 90% interest in **Les Sacs de Papier St-Laurent Ltée.**

On Nov. 1, 1984, the company acquired 31.7% of the voting shares and 125,919 class F shares of **Papiers Cascades (Cabano) Inc.** from **Société de développement industriel du Québec** for \$350,000 and a note payable of \$1,259,290, respectively. **Les Projets Cascades Inc.**, became a wholly-owned subsidiary of the company following an income tax rollover. **Les Projets Cascades** held a further 30% voting interest and 48,535 class F shares of **Papier Cascades (Cabano) Inc.** This resulted in the company having a 61.7% voting interest in **Papier Cascades (Cabano) Inc.**

Also acquired in 1984 were **Les Sacs de Plastiques Sacobac Inc.** and **Eurochange Inc.** A mill in **Breakville, Que.** was acquired from **John Breakey Inc.** and a plant in **Rockingham, North Carolina** was opened.

On Apr. 16, 1985, the assets of a French company in liquidation were acquired by **Cascades La Rochette SA**, a subsidiary incorporated for that purpose. Total cost was FF2 net of certain liabilities assumed by the

company. In October 1985, the company acquired the assets of a company specializing in the production of polyethylene products, and a plant was established in **Dunnville, Ont.**

On Feb. 15, 1986, the company acquired **Cascades Industries Inc.** of **North Carolina**.

On Feb. 25, 1986, **Packaging Industries Group**, a U.S. company, acquired from the company a 50% interest in **Indusfoam Canada Inc.** The joint venture was renamed **Cascades Sentinel Inc.** Also in February, 1986, the company acquired a plant in **Port Cartier, Que.**, previously owned by **ITT Rayonier**.

On Apr. 3, 1986, **Papier Kinsey Falls Inc.** purchased assets in **Joliette, Que.** from **Canadian Gypsum Canada Ltd.** The new subsidiary was named **Cascades (Joliette) Inc.**

On July 30, 1986, the company's subsidiary, **Cascades Lupel Inc.**, acquired **Lupel SNA Inc.** from **Société Nationale de l'amiante** for \$5,620,000.

## SUBSIDIARIES

(wholly-owned unless otherwise noted)

## Paper Sector:

## Canadian Operations:

**Cascades (East Angus) Inc.**—East Angus, Que. Manufactures kraft paper and folding boxboard.

**Cascades (Jonquière) Inc.**—Jonquière, Que. Manufactures bleached kraft pulp and folding boxboard.

**Désencrage Cascades Inc.**—Breakville, Que. Involved in the de-inking and manufacture of pulp paper.

**Récupération Cascades Inc.**—Kinsey-Falls, Que. Involved in the recycling of waste paper and board.

**Les Industries Cascades Ltée**—Kinsey-Falls, Que. Manufactures tissue paper and towel paper. (Joint venture, 50% owned).

**Cascades P.S.H. Inc.**—Drummondville, Que. Manufactures sanitary pads and sponge diapers. (Joint venture, 50% owned).

**Papier Cascades (Cabano) Inc.**—Cabano, Que. Manufactures corrugated paper. (61.7% voting interest).

## U.S. Operations:

**Cascades Industries, Inc.**—Rockingham, North Carolina. Manufactures tissue paper and toilet paper. **Cascades Industries, Inc.** is a wholly-owned subsidiary of **Les Industries Cascades Ltée**.

## Packaging Sector:

## Canadian Operations:

**Les Emballages Cascades Inc.**—Victoriaville, Que. Manufactures boxboard. (75% owned).

**Plastiques Cascades Inc.**—Kinsey-Falls, Que. Manufactures styrofoam containers. Has a 90%-owned subsidiary.

**Cascades Sentinel Inc.**—(formerly **Indusfoam Canada Inc.**) **Drummondville, Que.** and **Dunnville, Ont.** Manufactures low density polyethylene products. (50% owned).

**Plastichange International Inc.**—Drummondville, Que. Manufactures plastic envelopes for compact discs for the North American market. Has a wholly-owned subsidiary, **Eurochange Inc.** also of **Drummondville, Que.**, which manufactures plastic coin wrappers for the European market.

## European Operations:

**Cascades La Rochette S.A.**—Rochette, France. Manufactures cardboard.

## Building Material Sector:

## Canadian Operations:

**Les Matériaux Cascades Inc.**—Louisville, Que. Manufactures roofboard and backerboard.

**Papier Kinsey Falls Inc.**—Kinsey-Falls, Que. Manufactures roofing paper and insulating paper.

**Cascades (Joliette) Inc.**—Joliette, Que. Manufactures roofing felt.

**Cascades Lupel Inc.**—Cap-de-la Madeleine, Que. Manufactures linoleum backing.

## Transportation Sector:

**Air Cascades Inc.**—Kinsey-Falls, Que. Supplies helicopter transportation services.

## OFFICERS AND DIRECTORS

**Officers**—Bernard Lemaire, pres.; Laurent Lemaire, 1st v-p; Alain Lemaire, 2nd v-p; Fernand Cloutier, treas.; Jacques Aubert, sec.

**Directors**—Bernard Lemaire, Laurent Lemaire, Alain Lemaire, Fernand Cloutier, all Kingsley Falls, Que.; Paul R. Bannerman, Jean Lancôt, Montreal, Que.; Martin P. Pelletier, Cabano, Que.; André Desaulniers, St. Hippolyte, Que.; Simon L'Heureux, Ste-Foy, Que.; Paul Pelletier.

## CAPITAL STOCK

|            | Author.   | Outstand.  |
|------------|-----------|------------|
| Preferred: |           |            |
| Class A    | unlimited | nil        |
| Class B    | unlimited | nil        |
| Common     | unlimited | 48,200,048 |

■ At Dec. 31, 1985, but adjusted for 2-for-1 stock split on May 13, 1986. At Dec. 31, 1985, 10,120,048 common shares owned by the majority shareholders were in escrow until Sept. 13, 1986.

**Preferred, Class A**—Issuable in series. Rank prior to preferred class B shares, and common shares with respect to the payment of dividends and the return of capital.

**Preferred, Class B**—Issuable in series. Rank prior to common shares.

**Common**—Voting stock.

## PRICE RANGE OF STOCK

| Year | High    | Low    | Year | High     | Low    |
|------|---------|--------|------|----------|--------|
| 1983 | ●\$9.50 | \$4.65 | 1985 | □\$12.63 | \$4.38 |
| 1984 | ■ 10.50 | ■ 3.95 |      |          |        |

● Listed on the MSE on Jan. 31, 1983.

■ Following 2-for-1 stock split on July 5, 1984.

□ Following 2-for-1 stock split on Sept. 16, 1985.

## CHANGES IN CAPITAL STOCK

At December 31, 1981, capital stock consisted of 803 class A preferred shares and 580 common shares. Under Articles of Continuation, dated Oct. 26, 1982, the company amended its capital stock by creating class B preferred shares, and the redemption of 803 outstanding class A preferred shares for \$58,000. The 803 issued and outstanding common shares were split into 4,000,000 common shares, and the authorized and unissued common shares of a par value of \$10 were cancelled, and changed to unlimited together with class A and B preferred shares.

In December 1982, the company issued 1,000,000

common shares at \$5 per share to the public. Capital stock outstanding at Dec. 31, 1982 consisted of 5,000,000 common shares.

On July 5, 1984, the common shares were split 2-for-1. Subsequently in September 1984, the company issued 1,250,012 common shares at \$9.375 per share to the public. Capital stock outstanding at Dec. 31, 1984 consisted of 11,250,012 common shares.

On Sept. 16, 1985, the common shares were split 2-for-1. Subsequently, 1,600,000 common shares were issued to the public at \$10.75 per share. Capital stock outstanding at Dec. 31, 1985 consisted of 24,100,024 common shares.

On May 13, 1986, the common shares were split 2-for-1.

## LONG-TERM DEBT

At Dec. 31, 1985, long-term debt totaled \$51,784,000 including \$6,446,000 due in one year. Debt comprised \$31,999,000 in variable interest loans, \$17,447,000 in fixed interest loans, and \$2,338,000 other.

Variable interest loans included \$4,500,000 unsecured loans at prime due 1990; \$2,520,000 unsecured loans at prime plus 1.14%, due 1990; \$3,631,000 secured loans at prime, due 1988; \$1,707,000 secured loans at prime plus ¾% to prime plus 1%, due 1992; \$637,000 mortgage loans at prime plus 1.5%, due 1996; \$2,000,000 bank loans conditional on earnings, repayable in 1988; \$2,382,000 bank loans at 74% of prime, due 1991; and \$14,622,000 bank loans at prime plus ¾% to prime plus 1%, due 1995.

Fixed interest loans included \$2,520,000 unsecured loans at 3% for five years, due 1995; \$181,000 loans secured by commercial pledges, at 11.75% to 13.25%, due 1990; \$1,865,000 mortgage loans at 4.625%, due 1995; \$1,146,000 mortgage loans at 11.875% to 13.75%, due 1999; \$894,000 bank loans at 4%, due 1993; and \$10,841,000 bank loans at 13% to 14.3%, due 1992.

Long-term debt repayments in the next five years are as follows: \$6,446,000 in 1986; \$8,572,000 in 1987; \$8,920,000 in 1988; \$10,281,000 in 1989; and \$7,847,000 in 1990.

## SUBSEQUENT LONG-TERM DEBT

**7.5% Convertible Debentures**—Due June 1, 1991.

Authorized and issued \$50,000,000.

**Conversion Privilege**—The debentures are convertible into common shares of the company at a price of \$15.375 per share.

Offered—Privately placed with the Caisse de dépôt et de placement du Québec, in June 1986.



## INTERIM EARNINGS

| Fiscal Year | 3 months      |                |                  | 6 months      |                |                  | 9 months      |                |                  |
|-------------|---------------|----------------|------------------|---------------|----------------|------------------|---------------|----------------|------------------|
|             | Oper. Revenue | Net Inc. Oper. | Earns. Per Share | Oper. Revenue | Net Inc. Oper. | Earns. Per Share | Oper. Revenue | Net Inc. Oper. | Earns. Per Share |
|             | \$000's       |                |                  | \$000's       |                |                  | \$000's       |                |                  |
| 1983 ..     | 9,271         | 376            | 0.01             | 19,490        | 949            | 0.02             | 35,127        | 2,198          | 0.05             |
| 1984 ..     | 35,638        | 2,219          | 0.05             | 84,807        | 6,239          | 0.15             | 131,810       | 9,020          | 0.23             |
| 1985 ..     | 53,923        | 2,409          | 0.05             | 122,517       | 11,051         | 0.24             | 191,652       | 15,108         | 0.22             |
| 1986 ..     | 82,490        | 4,547          | 0.10             | 215,024       | 12,829         | 0.26             | 323,109       | 17,022         | 0.35             |

■ Adjusted for 2-for-1 stock splits on July 5, 1982; Sept. 16, 1985; and May 13, 1986.

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**Years Ended December 31**

|                                  | 1985     | 1984■    |
|----------------------------------|----------|----------|
|                                  | \$000's  | \$000's  |
| <b>Sources (Uses) of Cash:</b>   |          |          |
| <b>Operating Activities:</b>     |          |          |
| Net earnings .....               | 19,443   | 12,667   |
| Deprec. & amort. ....            | 5,563    | 2,925    |
| Deferred inc. taxes .....        | 1,636    | 1,533    |
| Minority interest .....          | 1,237    | 461      |
| Loss, non-consol. sub. ....      | 336      | ...      |
| Other .....                      | (11,909) | (11,896) |
|                                  | 16,306   | 5,690    |
| <b>Financing Activities:</b>     |          |          |
| Issue, l.-t. debt .....          | 20,809   | 14,017   |
| Repay., l.-t. debt .....         | (11,512) | (4,157)  |
| Deferred grants & credits .....  | 7,130    | 6,423    |
| Issue com. shs., net .....       | 16,627   | 11,275   |
| Increase, min. int. ....         | 739      | ...      |
|                                  | 33,793   | 27,558   |
| <b>Investment Activities:</b>    |          |          |
| Additions to fixed assets .....  | (32,869) | (30,302) |
| Decr. (incr.) other assets ..... | (4,091)  | 653      |
| Acquisitions .....               | ...      | (3,214)  |
| Purch., minority int. ....       | (142)    | ...      |
|                                  | (37,102) | (32,863) |
| Incr. (decr.) in funds● .....    | 12,997   | 385      |
| Funds, beginning of year● .....  | 198      | (187)    |
| Funds, end of year● .....        | 13,195   | 198      |

■ As shown in 1985 annual report.

● Funds include s.-t. deposits and investments and financing receivables, net of bank loans and advances.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|                              | 1985    | 1984    | 1983   | 1982   | 1981   |
|------------------------------|---------|---------|--------|--------|--------|
|                              | \$000's |         |        |        |        |
| <b>Assets:</b>               |         |         |        |        |        |
| <b>Current:</b>              |         |         |        |        |        |
| Cash & s.-t. invest.         | 16,707  | 9,721   | 4,229  | 2,146  | ....   |
| Financing rec.               | ....    | 647     | 2,347  | 110    | 107    |
| Accounts rec.                | 58,937  | 34,388  | 18,668 | 6,337  | 4,574  |
| Inventories                  | 27,878  | 20,410  | 8,129  | 3,883  | 2,934  |
| Grants rec.                  | ....    | ....    | ....   | 697    | 342    |
| Net invest., leases          | ....    | ....    | ....   | 87     | 77     |
| Prepaid exps.                | ....    | ....    | 138    | 27     | 40     |
|                              | 103,522 | 65,166  | 33,511 | 13,287 | 8,074  |
| <b>Fixed Assets:</b>         |         |         |        |        |        |
| Buildings                    | 20,527  | 16,198  | 8,277  | 5,574  | ....   |
| Equipment                    | 103,112 | 77,825  | 27,058 | 18,409 | ....   |
| Less: Accum. deprec.         | 20,491  | 16,893  | 8,769  | 7,054  | ....   |
| Unamort. grants              | 17,474  | 11,173  | ....   | ....   | ....   |
| Land                         | 1,738   | 1,555   | 651    | 330    | ....   |
|                              | 87,412  | 67,512  | 27,217 | 17,259 | 14,219 |
| Grants rec., net             | ....    | ....    | ....   | 51     | 162    |
| Net invest., leases          | ....    | ....    | ....   | 139    | 234    |
| Investments                  | ....    | ....    | 2,676  | 2,644  | 1,583  |
| Other assets                 | 4,981   | 1,143   | 346    | 259    | 133    |
|                              | 195,915 | 133,821 | 63,750 | 33,639 | 24,405 |
| <b>Liabilities:</b>          |         |         |        |        |        |
| <b>Current:</b>              |         |         |        |        |        |
| Bank loans & advances        | 3,512   | 10,170  | 6,764  | ....   | 1,009  |
| Accts. pay.                  | 40,967  | 24,906  | 13,071 | 5,017  | 3,799  |
| Income taxes                 | 105     | 450     | 464    | 150    | 169    |
| L.-t. debt due 1 yr.         | 6,446   | 6,716   | 3,887  | 2,126  | 1,753  |
|                              | 51,030  | 42,242  | 24,186 | 7,293  | 6,730  |
| Long-term debt               | 51,784  | 41,573  | 17,307 | 8,752  | 7,992  |
| Less: Current portion        | 6,446   | 6,716   | 3,887  | 2,125  | 1,753  |
| Unamort. exch. loss          | ....    | ....    | ....   | ....   | 115    |
| Long-term debt, net          | 45,338  | 34,857  | 13,420 | 6,627  | 6,124  |
| Deferred grants              | ....    | ....    | 3,129  | 1,692  | 1,232  |
| Deferred inc. taxes          | 6,104   | 4,468   | 3,411  | 2,724  | 2,122  |
| Minority interest            | 11,003  | 9,208   | 500    | 364    | 340    |
| <b>Shareholders' Equity:</b> |         |         |        |        |        |
| <b>Capital stock:</b>        |         |         |        |        |        |
| Cl. A Pref.                  | ....    | ....    | ....   | ....   | 58     |
| Common                       | 33,927  | 16,727  | 5,008  | 5,008  | 8      |
| Contributed surplus          | ....    | ....    | 233    | 233    | 233    |
| Retained earnings            | 45,189  | 26,319  | 13,863 | 9,698  | 7,558  |
| Foreign currency adjust.     | 3,324   | ....    | ....   | ....   | ....   |
|                              | 82,440  | 43,046  | 19,104 | 14,939 | 7,857  |
|                              | 195,915 | 133,821 | 63,750 | 33,639 | 24,405 |

■ As shown in 1982 annual report.

● Includes amounts attributable to preferred shareholders as follows: \$7,296,000 in 1985; \$7,355,000 in 1984; and \$59,000 in 1983.

**Commitments**—At Dec. 31, 1985, the company was committed to pay for the use of a minimum amount of electrical power to 1988 under terms of excess electricity contracts. The estimated payments were as follows: \$3,700,000 in 1986 and 1987; and \$2,300,000 in 1988.

## WORKING CAPITAL AT DECEMBER 31

|                     | 1985    | 1984   | 1983   | 1982   | 1981   |
|---------------------|---------|--------|--------|--------|--------|
|                     | \$000's |        |        |        |        |
| Current assets      | 103,522 | 65,166 | 33,511 | 13,287 | 8,074  |
| Current liabilities | 51,030  | 42,242 | 24,186 | 7,293  | 6,730  |
| Working capital     | 52,492  | 22,924 | 9,325  | 5,994  | 1,344  |
| Ratio               | 2.03—1  | 1.54—1 | 1.39—1 | 1.82—1 | 1.20—1 |

## EQUITIES AT DECEMBER 31

|                   | 1985    | 1984   | 1983   | 1982   | 1981      |
|-------------------|---------|--------|--------|--------|-----------|
|                   | \$000's |        |        |        |           |
| Net worth (000's) | 82,440  | 43,046 | 19,104 | 14,939 | 7,857     |
| Cl. A Pref.       | ....    | ....   | ....   | ....   | 13,546.55 |
| Common            | 1.71    | 0.96   | 0.48   | 0.37   | 0.24      |

■ Adjusted for 2-for-1 stock splits on May 13, 1986; Sept. 16, 1985; and July 5, 1984. Also adjusted for share reclassification in October 1982.

**CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS**  
**Years Ended Dec. 31**

|                                | 1985      | 1984    | 1983   | 1982   | 1981■  |
|--------------------------------|-----------|---------|--------|--------|--------|
|                                | (\$000's) |         |        |        |        |
| Sales .....                    | 266,272   | 179,651 | 62,033 | 34,491 | 26,163 |
| Less: Oper. exps. ....         | ▲230,193  | 154,971 | 54,482 | 29,128 | 21,773 |
| Net Sales .....                | 36,079    | 24,680  | 7,551  | 5,363  | 4,390  |
| Add: Int. inc. ....            | 1,005     | .....   | 385    | .....  | .....  |
| Mgt. fees .....                | .....     | .....   | 1,024  | 780    | 216    |
| Gain on for. exch. ....        | .....     | .....   | (22)   | 233    | 394    |
| Net before deprec., etc. ....  | 37,084    | 24,680  | 8,938  | 6,376  | 5,000  |
| Less: Deprec. & amort. ....    | 5,563     | 2,925   | 1,773  | 1,424  | 1,262  |
| Int., l.-t. debt● .....        | 4,106     | 1,708   | 965    | 732    | 567    |
| Other interest .....           | 1,222     | 1,014   | 345    | 131    | 286    |
| Inc. taxes: Current .....      | 3,541     | 4,372   | 884    | 912    | 710    |
| Deferred .....                 | 1,636     | 1,533   | 687    | 592    | 433    |
| Minority int. ....             | 1,237     | 461     | 119    | 58     | 43     |
| Loss: Uncon. subs. ....        | 336       | .....   | .....  | .....  | .....  |
| Net income, ops. ....          | 19,443    | 12,667  | 4,165  | 2,527  | 1,699  |
| Add: Prev. ret. earnings ..... | 26,319    | 13,863  | 9,698  | 7,558  | 5,935  |
| Trans. cont. surplus .....     | .....     | 233     | .....  | .....  | .....  |
| Tax recovery .....             | .....     | .....   | .....  | .....  | 14     |
| Less: Sh. issue exps. ....     | 573       | 444     | .....  | 284    | .....  |
| Com. divs. ....                | .....     | .....   | .....  | 100    | 50     |
| Cl. A divs. ....               | .....     | .....   | .....  | 2      | 5      |
| Refundable tax .....           | .....     | .....   | .....  | .....  | 35     |
| Retained earnings .....        | 45,189    | 26,319  | 13,863 | 9,698  | 7,558  |

■ As shown in 1982 annual report.

● Interest on long-term debt net of rebates as follows: \$100,000 in 1984; \$155,000 in 1983; \$251,184 in 1982; and \$271,225 in 1981.

▲ In 1985, the assets of a French company in liquidation were repossessed by the company's subsidiary, Cascades La Rockette SA, resulting in an unusual profit of \$5,294,000 (FF36,484,000) which was credited to the cost of sales for 1985. The amount represented the book value of assets repossessed for a total price of FF2, net of certain liabilities.

**Times Interest Earned:**

|                              |      |      |      |      |      |
|------------------------------|------|------|------|------|------|
| Before deprec. & amort. .... | 6.96 | 9.07 | 6.82 | 7.39 | 5.86 |
| After deprec. & amort. ....  | 5.92 | 7.99 | 5.47 | 5.74 | 4.38 |

**Earnings Per Share■**

|                     |      |      |      |      |      |
|---------------------|------|------|------|------|------|
| Net inc., ops. .... | 0.43 | 0.31 | 0.11 | 0.08 | 0.05 |
|---------------------|------|------|------|------|------|

■ Adjusted for 2-for-1 stock splits on July 5, 1984; Sept. 16, 1985; and May 13, 1986. Earnings per share in 1981 also adjusted for reclassification.

**Shares Outstanding at Dec. 31:**

|               |              |            |           |           |     |
|---------------|--------------|------------|-----------|-----------|-----|
| Common .....  | ▲24,100,024▲ | 11,250,012 | 5,000,000 | 5,000,000 | 803 |
| Class A ..... | .....        | .....      | .....     | .....     | 580 |

▲ Following 2-for-1 stock splits on Sept. 15, 1985 and July 5, 1984.



**HISTORICAL SUMMARY**  
(As originally stated in company's annual reports for the respective years)

| Fiscal Year | Total Assets | L-term Debt | Shldrs.' Equity<br>\$000's | Revenue | Net Inc. Oper. | Earns. Per Share<br>\$ | Price Range<br>High<br>\$ | Low<br>\$ |
|-------------|--------------|-------------|----------------------------|---------|----------------|------------------------|---------------------------|-----------|
| 1977●       |              |             |                            | 9,426   | 502            |                        |                           |           |
| 1978●       |              |             |                            | 13,519  | 619            |                        |                           |           |
| 1979●       |              |             |                            | 17,634  | 1,412          |                        |                           |           |
| 1980●       | 22,718       | 7,682       | 6,294                      | 20,620  | 1,356          |                        |                           |           |
| 1981■       | 24,405       | 7,877       | 7,857                      | 29,163  | 1,699          | 0.42                   |                           |           |
| 1982        | 33,639       | 8,752       | 14,939                     | 34,491  | 2,527          | 0.63                   |                           |           |
| 1983        | 63,750       | 17,307      | 19,104                     | 62,033  | 4,165          | 0.83                   | 9.50                      | 4.65      |
| 1984        | 133,821      | 41,573      | 43,046                     | 179,651 | 12,667         | ▲1.24                  | ▲10.50                    | ▲3.95     |
| 1985        | 195,915      | 51,784      | 82,440                     | 266,272 | 19,443         | ▲0.85                  | ▲12.63                    | ▲4.38     |

●As shown in prospectus dated Dec. 7, 1982.

■As shown in 1982 annual report. Earnings per share after reclassification.

▲Following 2-for-1 stock splits on July 5, 1984, and on Sept. 16, 1985.

(This information is obtained from sources we believe to be reliable, but is not guaranteed)

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